

Message Text

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FM SECSTATE WASHDC

TO AMCONSUL JERUSALEM IMMEDIATE

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C O N F I D E N T I A L STATE ,10558

EXDIS, TOSEC 1024, ZFF JERUSALEM ONLY

E.O.11652: GDS

TAGS: PFOR, PINT, GW

SUBJECT: RECENT DEVELOPMENTS IN FRG

1. FOLLOWING IS INR ROUNDUP OF SIGNIFICANT DEVELOPMENTS
IN FRG DURING PAST MONTH WHICH YOU MAY FIND USEFUL AS BACK-
GROUND FOR YOUR POSSIBLE STOPOVER IN BONN.

2. THIS PERIOD, AS YOU KNOW, HAS BEEN DOMINATED BY
BRANDT'S RESIGNATION ON MAY 6 AND SCHMIDT'S SUCCESSION TO
THE CHANCELLORSHIP ON MAY 16. THE QUESTION OF WHETHER OR
NOT GENSCHER WOULD SUCCEED SCHEEL AS FOREIGN MINISTER
BECLOUDED THE GOVERNMENT TRANSITION MOMENTARILY, BUT THE
INCLUSION OF THE FDP LEADER AS VICE CHANCELLOR AND FOREIGN
MINISTER REFLECTED THE WILLINGNESS OF SPD LEADERS TO
SWALLOW THEIR RESENTMENT OF GENSCHER'S ROLE IN THE
GUILLAUME AFFAIR AND MADE POSSIBLE THE CONTINUATION OF AN
SPD-FDP COALITION.

3. SCHMIDT DROPPED SOME SPD MINISTERS FROM HIS CABINET

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(NOTABLY BAHR) AND BROUGHT SEVERAL OF HIS CLOSE ASSOCIATES

INTO IT AND THE CHANCELLERY. EMBASSY BONN HAS REPORTED THAT WE CAN EXPECT HIS GOVERNMENT TO BE WELL-PREPARED, BRISK, DIRECT, AND COMBATIVE.

4. THE IMMEDIATE DOMESTIC PREOCCUPATION OF THE COALITION WILL BE TO WIN A MAJORITY IN THE JUNE 9 LANDTAG ELECTION

IN LOWER SAXONY. WITH SCHMIDT AND GENSCHER AT THE HELM, THE COALITION HAS A FIGHTING CHANCE. OPINION POLLS, INDICATE THAT THE CDU WILL GET 48 PERCENT, THE SPD 40 PERCENT, AND THE FDP 8 PERCENT. THIS ELECTION WILL BE REGARDED AS A BAROMETER OF VOTER CONFIDENCE IN THE NEW GOVERNMENT.

5. THE GOVERNMENT DECLARATION, WHICH SCHMIDT DELIVERED TO THE BUNDESTAG ON MAY 17, POINTED OUT THAT:

(A) --HIS GOVERNMENT WAS FOR THE POLITICAL UNIFICATION OF EUROPE "IN PARTNERSHIP WITH THE UNITED STATES."

(B) --THE EC WAS THE "IRREPLACEABLE BASIS" FOR THAT UNIFICATION.

(C) --THE CREATION OF A EUROPEAN POLITICAL UNION WAS "MORE URGENT THAN EVER."

(D) --THE ATLANTIC ALLIANCE REMAINED THE "ELEMENTARY BASIS" OF THE FRG'S SECURITY AND THE "NECESSARY POLITICAL FRAMEWORK" OF ITS EFFORTS FOR DETENTE IN THE WORLD.

(E) --THE FRG WOULD CONTINUE TO WORK ON THE "POLITICAL STRENGTHENING" OF THE ALLIANCE.

(F) --"THE BALANCE IN THE WORLD AND THE SECURITY OF WESTERN EUROPE WOULD REMAIN DEPENDENT...ON THE POLITICAL PRESENCE OF THE UNITED STATES IN EUROPE."

6. BECAUSE THE MOST IMPORTANT CONCERN OF THE GERMAN VOTER TODAY IS THE PRESERVATION OF PROSPERITY IN THE FACE OF WORLD ECONOMIC INSTABILITY, SCHMIDT REALIZES THAT HE MUST
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GIVE PRIORITY TO EC AND INTERNATIONAL ECONOMIC AFFAIRS. INDICATING HIS INTENTION TO DO SO, HE STRESSED IN THE GOVERNMENT DECLARATION THAT THE FRG:

(A) --NEEDED A STABLE AND STEADY WORLD ECONOMY WITH FREE TRADE AND AN ORDERLY INTERNATIONAL MONETARY SYSTEM;

(B) --HAD TO KEEP THE EC "IN FULL OPERATION" BECAUSE

ABOUT TWO-THIRDS OF GERMANY'S TRADE WAS WITH ITS EC PARTNERS;

(C) --WAS GREATLY CONCERNED ABOUT THE MEASURES (I.E., IMPORT RESTRICTIONS), THAT SOME OF THE EC'S MEMBERS WERE ADOPTING;

(D) --BELIEVED THAT ECONOMIC STABILITY MUST BE RECOVERED

MAINLY BY THE GOVERNMENTS OF THE INDIVIDUAL COUNTRIES; ASSISTANCE BY THE FRG COULD BE JUSTIFIED ONLY "IF THE RECEIVING COUNTRY THROUGH ITS OWN EFFORTS CREATES PRECONDITIONS FOR EFFECTIVE ASSISTANCE."

7. IN A "CONFIDENTIAL" SPD STUDY PUBLISHED IN DIE ZEIT ON MAY 17, SCHMIDT SAID THAT FRG SHOULD NEITHER MAKE MAJOR FINANCIAL CONTRIBUTIONS TO OTHER EC COUNTRIES NOR MAKE ITS ECONOMIC POLICY DEPENDENT ON THE "MISERY" IN THE UK OR ITALY. HE SAID HE WAS OPPOSED TO "SACRIFICING THE STABILITY OF OUR ECONOMY AND THE PROSPERITY OF OUR CITIZENS AND THEIR CONFIDENCE IN THE FUTURE FOR A COMMUNITY INCAPABLE OF ACTION." ONLY IF THERE WERE EVIDENCE THAT THE FRG'S PARTNERS WANTED SUPRANATIONAL COORDINATION OF ECONOMIC GOALS AND AGREED ON THE INSTRUMENTS TO REACH THEM WOULD GERMAN SACRIFICES BE JUSTIFIED.

8. TO DEAL WITH THIS SITUATION, SCHMIDT MUST ATTEMPT TO REVIVE COMMUNITY COOPERATION IN THE ECONOMIC AREA. HE IS SEEKING AN EARLY MEETING WITH PRESIDENT GISCARD, AN OLD FRIEND WHO IS ON THE SAME WAVE LENGTH AND PROBABLY SHARES THE SAME CONCERN OVER RECENT ECONOMIC DEVELOPMENTS. RUSH

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